



HKH

DJ #90-11-3-08278

Environmental Enforcement Section
Byron Rogers Federal Building
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September 21, 2010

CONFIDENTIAL SETTLEMENT COMMUNICATION
Subject to Federal Rule of Evidence 408

Joseph Middleton, Esq.
TEMKIN WIELGA & HARDT, LLP
1900 Wazee Street, Suite 303
Denver, CO 80202

Re: Gilt Edge Mine Superfund Site

Dear Mr. Middleton:

This letter follows up on our conversation of August 17, 2010, and confirms that CoCa Mines, Inc. ("CoCa Mines") is seeking a determination that it qualifies as a party with a limited ability to pay response costs related to the Gilt Edge Mine Site in Lawrence County, South Dakota. 42 U.S.C. § 9601, *et seq.*; *see also* "General Policy on Superfund Ability to Pay Determinations," U.S. Environmental Protection Agency (September 30, 1997).¹ To that end, please have your client respond to the following requests, and sign and return the attached Verification and Affidavit as well as the Notarized Certificate. If you have any questions, please feel free to call me.

Financial Information.

1. Provide all annual financial statements (including balance sheets, income statements, statements of cash flows, and, if prepared, notes and detailed schedules) for CoCa Mines, Inc. for the years 2003 to present. Please note that the 1-page summary balance sheets provided previously to EPA do not provide the level of detail that we are seeking. Rather, we request the full financial statements prepared yearly for CoCa Mines, Inc. that explain the financial status of the company.
2. Provide any other financial statements or information (i.e., balance sheets, income statements, statements of cash flows) prepared on an other-than-annual basis

¹ Responses provided by CoCa Mines to the U.S. Environmental Protection Agency's 104(e) Information Requests, including financial information, have been reviewed by the U.S. Department of Justice in preparing this letter. *See* 42 U.S.C. § 9604(e).

(e.g., monthly, quarterly, as needed) that reflect the financial status of CoCa Mines for the years 2003 to present.

3. Provide any interim financial statements (including balance sheets, income statements, and statements of cash flow) that have been prepared for the period of January 1, 2003 to present.
4. Provide consolidating schedules or other consolidating information for CoCa Mines for the years 2003 to present. Please note that Hecla Mining Company's Form 10-K filed with the Securities and Exchange Commission reflect the consolidated position of Hecla Mining and its subsidiary, Hecla Limited, which in turn, owns CoCa Mines. If this statement of corporate structure is incorrect, please so state, and provide an explanation of the correct corporate structure of CoCa Mines and its parent companies. If this statement of corporate structure is correct, please provide the consolidating schedules or other consolidating information that CoCa Mines provided to Hecla Limited for the years 2003 to present that reflect CoCa Mines' financial position.

Tax Returns.

5. Provide signed copies of CoCa Mines' U.S. corporate income tax returns, complete with all schedules, statements, forms, consolidating schedules and attachments, for all years from 2003 to the present for which CoCa Mines prepared a separate tax return. Please note that we require the complete and signed copies of these yearly tax returns for our financial analysis. The tax returns previously provided to EPA were complete but unsigned for 2005 through 2008; tax returns for the other years were either not provided or were incomplete.
6. Provide signed copies of U.S. corporate income tax returns, complete with all schedules, statements, forms, consolidating schedules and attachments (i.e. exactly as submitted to the U.S. Internal Revenue Service) for Hecla Mining Company and Subsidiaries for the years 2003 to 2009. The tax returns previously provided to EPA for 2004 through 2008 were incomplete; tax returns for 2003 and 2009 were not provided.

Other Information.

7. According to the unsigned U.S. corporate tax returns previously provided for CoCa Mines, as of December 31, 2003 and 2004, CoCa Mines showed a significant Accounts Payable (i.e., -\$1,534,081 as of Dec-31-2003 and -\$911,766 as of Dec-31-2004). For each year from 2003 to the present:
 - a. Describe each service and/or product (e.g., management services, leases) provided by CoCa Mines to any affiliates, or vice versa, or between affiliates.
 - b. Provide signed copies of all such agreements, complete with all schedules, attachments, and updates.

- c. If any transactions took place between CoCa Mines and an affiliate (or between affiliates) for which a written agreement does not exist, please describe all material provisions of each transaction including (but not limited to):
 - i. Service or product transacted;
 - ii. Date(s) of transaction(s);
 - iii. Identity of buyer;
 - iv. Identity of seller;
 - v. Amount paid for good or service;
 - vi. Identity of representative from CoCa Mines who negotiated the transaction;
 - vii. Identity of representative from affiliate who negotiated the transaction; and
 - viii. Describe the formula or basis used to determine the price paid for the good or service.
 - d. Provide all documents relating to the provision of service(s) and/or product(s) between CoCa Mines and affiliate(s).
8. According to the unsigned U.S. corporate tax returns previously provided for CoCa Mines, as of December 31, 2003, 2004, 2005, and 2006, CoCa Mines showed a significant "Affiliates Payable" (also described as "Intercompany") ranging from -\$17,765,936 as of Dec-31-2003 to -\$19,882,530 as of Dec-31-2006. For each year from 2003 to the present:
- a. Describe each loan made between CoCa Mines and affiliate(s), or between affiliates.
 - b. Provide signed copies of all such loan agreements.
 - c. If any loans were extended for which a written agreement does not exist, please describe all material terms of each loan including (but not limited to):
 - i. Date of loan;
 - ii. Term of loan;
 - iii. Identity of lender;
 - iv. Identity of borrower;
 - v. Principal;
 - vi. Interest;
 - vii. Repayment schedule;
 - viii. Collateral and/or guarantees;
 - ix. Covenants; and
 - x. Late payment provisions.
 - d. Provide all documents relating to any loans between CoCa Mines and affiliate(s).
9. According to the unsigned U.S. corporate tax returns previously provided for CoCa Mines in the year ending December 31, 2007, CoCa Mines had several "other investments" (Statement 2, Schedule L, line 9), including "Distr LP Share," "Invest in Hard GP," "Invest in Hard LP," "Invest in Mudge," "Investment MBPL," and "Investments." For each of these items, provide:
- a. Signed copies of all written agreements and/or any other documents relating to these investments;

- b. Describe the nature of the investment (e.g., stock purchase, investment in partnership, dividend payment, etc.);
- c. Date(s) of transaction(s);
- d. Identity of counterparty/counterparties;
- e. Describe the formula or basis used to determine the amount invested; and
- f. Identify the circumstances under which the investment can be or is expected to be returned.

10. For each year from 2003 to the present:

- a. Describe each guarantee made by CoCa Mines on behalf of an affiliate, made by an affiliate on behalf of CoCa Mines or made on behalf of an affiliate by another affiliate.
- b. Provide signed copies of each agreement in which such a guarantee is provided complete with all schedules, attachments, updates, and addendums.
- c. If a written agreement does not exist, please describe all material terms of each type of agreement including:
 - i. Nature of the agreement (e.g., loan, product, service);
 - ii. Date of agreement;
 - iii. Term of agreement;
 - iv. Identity of seller/lender;
 - v. Identity of buyer/borrower; and
 - vi. Circumstances under which performance of guarantee can be demanded.

11. For each year from 2003 to the present and for each employee who worked for both CoCa Mines and an affiliate or for more than one affiliate, provide the following information:

- a. Name of employee;
- b. Title and job description at each company;
- c. Wage or salary, bonus, and perquisites received from each company;
- d. Percentage of time spent working at each company; and
- e. Name of supervisor.

12. Provide the corporate record book for CoCa Mines, including:

- a. articles of incorporation (and all addendums), complete with all schedules, attachments, and updates;
- b. all Board of Director meeting minutes, resolutions, and documentation of any other actions from 2003 to present;
- c. filings with state corporation agencies (e.g., Secretary of State) from 2003 to present; and
- d. any other documents describing CoCa Mines' corporate or organizational record from 2003 to present.

13. For Hecla Mining Company and Hecla Limited, provide copies of all Board of Director meeting minutes, resolutions, and documentation of any other actions that relate to CoCa Mines from 2003 to present.

14. For CoCa Mines, provide the names of all Executive Officers and Board of Director Members from 2003 to present.

15. In the Contract for Deed dated August 27, 1978 between the Estate of Magdalena Waggoner (as Seller) and Cyprus Mines Corporation and Congdon & Carey, Ltd. 5 (as Buyers), the Buyers agreed to carry liability insurance covering their operations at the Gilt Edge Site. Please provide copies of all such insurance policies and all other casualty, liability and/or pollution insurance policies issued to or for the benefit of Congdon & Carey, Ltd. 5 or CoCa Mines, Inc. from 1960 to present, including but not limited to comprehensive general liability, primary, umbrella and excess policies, as well as any environmental impairment liability or pollution legal liability insurance. If you are aware of any such policies but do not have copies, identify each such policy by stating:

- a. name and address of each insurer and of the insured;
- b. type of policy and policy number;
- c. the per occurrence or per accident policy limits of each policy; and
- d. commencement and expiration dates of such policy.

Sincerely,

A handwritten signature in cursive script that reads "Heidi K. Hoffman".

Heidi K. Hoffman

cc: Roxanne Giedd, State of South Dakota
Andrea Madigan, U.S. EPA

VERIFICATION AND AFFIDAVIT

With knowledge of the penalties for false statements provided by 18 U.S.C. § 1001 (fine of up to \$250,000 and/or imprisonment), and with knowledge that this financial statement is submitted by me as a responsible officer of this Corporation to affect action by the U.S. Department of Justice, I hereby certify that I understand the statement herein, and that the same is a true and complete statement of all Corporate income and assets, real and personal, whether held in the Corporate name or otherwise.

Date: _____

AFFIANT (Officer)

List Corporate Position

Age (Next to Birthdate)

NOTARIZED CERTIFICATE

State of _____
County of _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and considerations therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of _____, Year _____.

Notary Public, State of _____

My Commission expires: _____

(SEAL)